

D.B. FITZPATRICK & Co., INC. - MBS PORTFOLIO
DOMESTIC FIXED: LEHMAN MORTGAGE BENCHMARK

FOR THE MONTH OF: **DECEMBER** **2005**

MANAGER PERFORMANCE CALCULATIONS

** Annualized returns*

	Last <u>Month</u>	Last <u>3 Months</u>	Last <u>1 Year</u>	Last <u>3 Years*</u>	Last <u>5 Years*</u>
DBF MBS	0.95%	0.61%	2.42%	3.03%	5.29%
Lehman Mortgage	0.98%	0.60%	2.62%	3.45%	5.43%

PORTFOLIO ATTRIBUTES

<u>Characteristics</u>	<u>DBF</u>	<u>Leh Mtge</u>
Market Value (\$ m)	\$159.57	N/A
Weighted Average <i>Effective</i> Duration (in years)	3.8	3.6
Weighted Average Yield (in %)	5.5%	5.5%
Weighted Average Coupon (in %)	5.5%	5.3%

PERFORMANCE ATTRIBUTION & STRATEGY COMMENTS

The total return to the Persi MBS portfolio was once again very near that of the Lehman Mortgage Index during December. During the last quarter of 2005 the Persi MBS portfolio produced performance nearly identical to that of the Lehman Mortgage Index. This can be explained by a convergence of portfolio attributes toward the index. During the past year the portfolio underperformed the benchmark index by approximately 20 basis point. The attributes of the Persi MBS portfolio remain very close to those of the benchmark index, and we expect the portfolio to continue to perform similarly.

We believe, and indeed we hope, the Fed is very near the end of this interest rate tightening cycle. Core inflation has remained contained throughout the economic expansion and we expect headline inflation will slow, as it has recently, with the stabilization of energy prices. We expect long-term interest rates to remain range-bound between 4% and 5% for the near future, barring major economic or geopolitical shocks.

MANAGER STYLE SUMMARY

DBF's MBS (Mortgage Backed Security) portfolio is a "core" holding which attempts to generally track the returns of the Lehman Mortgage Index. Excess returns are added through security selection and interest rate bets, although such bets are expected to be limited and relatively low-risk. DBF also manages the Idaho Mortgage Program in conjunction with this portfolio -- the MBS portfolio serves as a "cash reserve" of sorts, to fund mortgages managed through the Idaho Mortgage Program. Consequently, we expect this portfolio to hold traditional MBS instruments and to maintain a reasonably healthy status, with no significant bets which could go significantly awry.

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PORTFOLIO GUIDELINE COMPLIANCE

DECEMBER 2005

Portfolio Guideline:		DBF	Min	Max	Compliance
B2.	Minimum portfolio size	\$160	\$50		ok
B2a. Security Type:					
MORTGAGE RELATED		98%	80%	100%	ok
Generic MBSs		98%	75%	100%	ok
GNMAs		17.8%			
FNMA's		45.9%			
FHLMCs		34.4%			
CMOs		0.0%	0%	25%	ok
NON-MORTGAGE RELATED		0.0%	0%	20%	ok
Treasuries		0.0%	0%	20%	ok
Agencies		0.0%	0%	20%	ok
Cash		1.9%	0%	10%	ok
Attributes:	▼ Leh Mtge				
Duration	3.6	3.8	1.6	5.6	ok
Coupon	5.3%	5.5%	4.3%	6.3%	ok
Quality	AAA+	AAA+	AAA		ok
B3.	Individual Securities excluding Treasuries as a % of portfolio		0%	5%	ok
B4.	Number of securities	35	25	50	ok
E2.	Annual Turnover	19%	0%	25%	ok
The portfolio is in compliance with all other aspects of the Portfolio Guidelines				<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No

MANAGER EXPLANATIONS FOR DEVIATIONS FROM PORTFOLIO GUIDELINES

ORGANIZATIONAL/PERSONNEL CHANGES

ACCOUNT TURNOVER

Gained:	Number of Accounts:	0	Total Market Value (\$m):	\$	-
Lost:	Number of Accounts:	0	Total Market Value (\$m):	\$	-
	Reason(s):	N/A			